

**SHERIDAN TOWNSHIP**  
**MECOSTA COUNTY, MICHIGAN**  
**AUDIT REPORT**  
**MARCH 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name SHERIDAN TOWNSHIP	County MECOSTA
Fiscal Year End MARCH 31, 2006	Opinion Date JUNE 21, 2006	Date Audit Report Submitted to State JULY 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

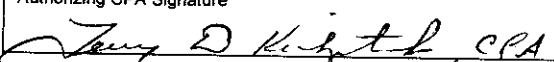
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.		Telephone Number 231-796-3332	
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI
		Zip 49307	
Authorizing CPA Signature 	Printed Name Terry D. Kirkpatrick		License Number 18035

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**TERRY KIRKPATRICK, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report**

To the Township Board  
Sheridan Township, Mecosta County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan Township, Mecosta County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Sheridan Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Sheridan Township, Mecosta County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan Township, Mecosta County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Sheridan Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2005. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sheridan Township, Mecosta County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Terry Kirkpatrick, CPA, P.C.*

Big Rapids, Michigan  
June 21, 2006

*BASIC FINANCIAL STATEMENTS*

Sheridan Township – Mecosta County, Michigan  
Government Wide Statement of Net Assets  
March 31, 2006

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	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 101,823
Delinquent Personal Tax	248
Due from Current Tax Fund	53
Receivables - Other Governmental Units	20,352
Capital Assets (Net)	<u>27,313</u>
Total assets	<u>\$ 149,789</u>
LIABILITIES	
Payroll Tax Payable	\$ 1,050
NET ASSETS	
Invested in capital assets, net of related debt	27,313
Unrestricted	<u>121,426</u>
Total net assets	<u>148,739</u>
Total liabilities and net assets	<u>\$ 149,789</u>

The "Notes to Financial Statements" are an integral part of these statements.

Sheridan Township – Mecosta County, Michigan  
Government Wide Statement of Activities  
For the Year Ended March 31, 2006

	Expenses	Charges for Services	Program Revenues Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
PRIMARY GOVERNMENT				
General Government	\$ 73,241	\$ 650	\$ 0	\$ (72,591)
Public Safety	20,600	0	0	(20,600)
Public Works	51,159	0	0	(51,159)
Cultural and Recreation	500	0	0	(500)
Other Functions	6,251	0	0	(6,251)
Depreciation (unallocated)	1,253	0	0	(1,253)
Total primary government	\$ 153,004	\$ 650	\$ 0	\$ (152,354)

General Revenues	
Property Tax, levied for general operations	51,574
Licenses and Permits	67
Special Assessments	1,551
State Grants	96,288
Interest Earnings	3,585
Other Revenue	663
Total general revenues	153,728
Change in Net Assets	
Net assets - Beginning of year	1,374
Net assets - End of year	147,365
	\$ 148,739

The "Notes to Financial Statements" are an integral part of these statements.

*GOVERNMENTAL FUND FINANCIAL STATEMENTS*



Sheridan Township – Mecosta County, Michigan  
 Governmental Fund Balance Sheet  
 March 31, 2006

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 100,429	\$ 1,394	\$ 101,823
Delinquent Personal Tax	248	0	248
Due from State of Michigan	15,431	0	15,431
Due from Newaygo County	4,921	0	4,921
Due from Current Tax Fund	53	0	53
Total assets	\$ 121,082	\$ 1,394	\$ 122,476
<b>LIABILITIES AND FUND EQUITY</b>			
Payroll Tax Payable	\$ 1,050	0	\$ 1,050
Fund Balance - Unreserved and Undesignated	120,032	1,394	121,426
Total liabilities and fund equity	\$ 121,082	\$ 1,394	\$ 122,476
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets			
Total Governmental Fund Balances			\$ 121,426
Amounts reported for governmental activities in the statement of net assets are different because:			
Cost of capital assets, net of depreciation			27,313
Net assets of governmental activities			\$ 148,739

The "Notes to Financial Statements" are an integral part of these statements.

Sheridan Township – Mecosta County, Michigan  
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended March 31, 2006

	General Funds	Non-Major Governmental Fund	Total Government Funds
REVENUES			
Property Tax	\$ 51,574	\$ 0	\$ 51,574
Licenses and Permits	67	0	67
Special Assessments	0	1,551	1,551
State Grants	96,288	0	96,288
Charges for Services	650	0	650
Interest and Rents	3,565	20	3,585
Other Revenue	663	0	663
Total revenues	152,807	1,571	154,378
EXPENDITURES			
General Government	73,241	0	73,241
Public Safety	20,600	0	20,600
Public Works	50,274	885	51,159
Cultural and Recreation	500	0	500
Other Functions	6,251	0	6,251
Total expenditures	150,866	885	151,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,941	686	2,627
Fund Balance - April 1,	118,091	708	118,799
Fund Balance - March 31,	\$ 120,032	\$ 1,394	\$ 121,426

The "Notes to Financial Statements" are an integral part of these statements.

# Sheridan Township – Mecosta County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2006

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Net Change in Fund Balances - Total Government Funds	\$	2,627
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation expense		<u>(1,253)</u>
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Change in Net Assets of Governmental Activities	\$	<u>1,374</u>
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The "Notes to Financial Statements" are an integrated part of these statements.

Sheridan Township – Mecosta County, Michigan

Fiduciary Fund

Statement of Net Assets

March 31, 2006

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Agency Fund Type  
Property Tax Collection Fund

ASSETS

Cash and Cash Equivalents

\$ 53

LIABILITIES

Due to General Fund

\$ 53

The "Notes to Financial Statements" are an integrated part of these statements.

*NOTES TO FINANCIAL STATEMENTS*

## Sheridan Township – Mecosta County, Michigan

Notes to Financial Statements  
For the Year Ended March 31, 2006

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sheridan Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sheridan Township:

#### Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

#### Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

**District-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Sheridan Township's property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property located within Sheridan Township as of the preceding December 31<sup>st</sup>.

## Sheridan Township – Mecosta County, Michigan

Notes to Financial Statements – Continued  
For the Year Ended March 31, 2006

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Although the Sheridan Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Sheridan Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of Sheridan Township totaled approximately \$30,350,000, on which ad valorem taxes levied consisted of 1.2288 mills for the Township operating purposes. These amounts are recognized in the respective General Fund financial statements as Due from Mecosta County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports one non-major special revenue funds for Winchester special assessments.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

### **Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> and are considered delinquent on March 1<sup>st</sup> of the following year, at which time interest and penalties are assessed.

**Capital Assets** – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
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## Sheridan Township – Mecosta County, Michigan

Notes to Financial Statements - Continued

For the Year Ended March 31, 2006

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1<sup>st</sup>. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

### NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 101,823

The bank balance of the primary government's deposits is \$103,461, of which \$103,461 is covered by federal depository insurance.

### NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	<u>General</u>
Due from County	\$ 4,921
Due from State	15,431



# Sheridan Township – Mecosta County, Michigan

Notes to Financial Statements - Continued  
For the Year Ended March 31, 2006

## NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 3,500	\$ 0	\$ 0	\$ 3,500
Capital assets being depreciated				
Buildings	50,131	0	0	50,131
Less Accumulated depreciation for Capital assets	(25,065)	(1,253)	(0)	(26,318)
Net capital assets	<u>\$ 28,566</u>	<u>\$ (1,253)</u>	<u>\$ 0</u>	<u>\$ 27,313</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

## NOTE F– INTERFUND RECEIVABLES and PAYABLES

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 53

## NOTE G – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

*REQUIRED SUPPLEMENTAL INFORMATION*

# Sheridan Township – Mecosta County, Michigan

## Budgetary Comparison Schedule

### General Fund

For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 118,091	\$ 118,091	\$ 118,091	\$ 0
Resources (inflows)				
Property Tax	49,150	49,150	51,574	2,424
Licenses and Permits	60	60	67	7
State Grants	94,300	94,300	96,288	1,988
Charges for Services	3,350	3,350	650	(2,700)
Interest and Rents	2,500	2,500	3,565	1,065
Other Revenue	600	600	663	63
Amounts Available for Appropriation	268,051	268,051	270,898	2,847
Charges to Appropriations (outflows)				
General Government				
Township board	19,500	19,500	14,449	5,051
Supervisor	8,596	8,596	8,221	375
Elections	1,800	1,800	602	1,198
Assessor	13,200	13,200	12,900	300
Clerk	14,192	14,192	13,092	1,100
Board of review	1,650	1,650	1,232	418
Treasurer	13,992	13,992	13,172	820
Township hall	10,500	10,500	5,427	5,073
Cemetery	7,700	7,700	4,146	3,554
Public Safety				
Fire protection	24,000	24,000	20,600	3,400
Public Works				
Highways, Streets and Bridges	72,561	72,561	49,341	23,220
Street lighting	1,200	1,200	933	267
Cultural and Recreation				
Parks	1,000	1,000	500	500
Other Functions				
Insurance and Bonds	3,900	3,900	2,855	1,045
Social security/ medicare tax	9,400	9,400	3,396	6,004
Total Charges to Appropriations	203,191	203,191	150,866	52,325
Budgetary Fund Balance - March 31,	\$ 64,860	\$ 64,860	\$ 120,032	\$ 55,172

*OTHER SUPPLEMENTAL INFORMATION*

Sheridan Township – Mecosta County, Michigan  
Balance Sheet  
Non-Major Governmental Funds  
March 31, 2006

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Winchester  
S/A Fund

ASSETS

Cash and Cash Equivalents

\$ 1,394

LIABILITIES AND FUND EQUITY

Fund Balance

Unreserved and undesignated

\$ 1,394

Sheridan Township – Mecosta County, Michigan  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Fund  
For the Year Ended March 31, 2006

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	Winchester <u>S/A Fund</u>
REVENUES	
Special Assessments	\$ 1,551
Interest Earned	20
Total revenues	<u>1,571</u>
EXPENDITURES	
Public Works	
Highways and streets (not Act 51)	<u>885</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	686
FUND BALANCE - April 1,	<u>708</u>
FUND BALANCE - March 31,	<u>\$ 1,394</u>

**TERRY KIRKPATRICK, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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June 21, 2006

Members of the Township Board  
Sheridan Township  
Mecosta County, Michigan

We have recently completed our audit of the basic financial statements of Sheridan Township for its year ended March 31, 2006. During this audit, we had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of our auditing procedures, there are some comments we want to present.

**GOOD JOB OF MAINTAINING FINANCIAL RECORDS**

Again this year the Clerk and Treasurer did a very good job of maintaining the Township's financial records.

**BANK STATEMENT COPY TO CLERK**

The Treasurer should receive the original bank statement and cancelled checks from the bank, but either a photocopy or a second copy should be given to the Clerk. This provides additional internal control plus it allows the Clerk to verify that her books reflect each transaction that went through the bank.

**OTHER MATTERS**

We want to thank your personnel for the courtesy and cooperation shown us by them during our audit.

We have provided two copies of the audit report and this letter to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact us.

*Terry Kirkpatrick, CPA, P.C.*